



Office of External Affairs

MEDICARE NEWS

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**MEDICARE BEGINS PERFORMANCE-BASED PAYMENTS
FOR PHYSICIAN GROUPS**
**New Demonstration Program Tests Financial Incentives for
Improved Quality and Coordination in Large Group Practices**

The Centers for Medicare and Medicaid Services (CMS) today announced new initiatives to pay health care providers for the quality of the care they provide to seniors and people with a disability, reflecting an Administration commitment to reward innovative approaches to get better patient outcomes at lower costs.

“Better care should be rewarded, and thanks to growing support from health care providers and other stakeholders, we have better approaches to doing so than ever before,” said CMS Administrator Mark B. McClellan, M.D., Ph.D. “It is time that we pay for the quality of the health care provided to our beneficiaries, not simply the amount. We are working to apply this in every setting in which Medicare and Medicaid pays for care.”

As another step in its efforts to make higher payments for quality, CMS today announced that ten large physician groups across the U.S. will participate in the first pay-for-performance initiative for physicians under the Medicare program. The Physician Group Practice demonstration gives physician groups an opportunity to demonstrate that improving care in a proactive and coordinated manner also saves money.

Currently, Medicare reimburses physicians and other health care providers on the number and complexity of the services provided to patients. There is good evidence that by anticipating patient needs, especially for patients with chronic diseases, health care teams that partner with patients can intervene before expensive procedures and hospitalizations are required. The Physician Group Practice demonstration is designed to encourage this and other preventive efforts.

“Not only is there a growing consensus that providers who furnish better care should be rewarded, there should be an agreement on how to reward those providers,” said Dr. McClellan. “Our new pay-for-performance initiative for physicians reflects hard work by physicians, consumer advocates, and other health care payers and purchasers to develop valid measures of quality and efficiency, and to use them effectively to support better care.”

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During the three-year Physician Group Practice project, CMS will reward ten physician groups in various communities across the nation that improve patient outcomes by coordinating care for chronically ill and high cost beneficiaries in an efficient manner. The physician groups participating in the demonstration are: Dartmouth-Hitchcock Clinic, Bedford, New Hampshire; Deaconess Billings Clinic, Billings, Montana; The Everett Clinic, Everett, Washington; Geisinger Health System, Danville, Pennsylvania; Middlesex Health System, Middletown, Connecticut; Marshfield Clinic, Marshfield, Wisconsin; Forsyth Medical Group, Winston-Salem, North Carolina; Park Nicollet Health Services, St. Louis Park, Minnesota; St. John's Health System, Springfield, Missouri; and the University of Michigan Faculty Group Practice, Ann Arbor, Michigan.

CMS will assess both quality performance and quality improvement under the demonstration. The quality measures that will be used focus on common chronic illnesses in the Medicare population, including congestive heart failure, coronary artery disease, diabetes mellitus, hypertension, as well as preventive services, such as influenza and pneumococcal pneumonia vaccines and breast cancer and colorectal cancer screenings.

Under the demonstration, physician groups will continue to be paid on a fee-for-service basis. Physician groups will implement care management strategies designed to anticipate patient needs, prevent chronic disease complications and avoidable hospitalizations, and improve quality of care. Depending on how well these strategies work in improving quality and avoiding costly complications, physician groups will be eligible for performance payments.

Physician groups were selected through a competitive process. Groups were selected based on technical review panel findings, organizational structure, operational feasibility, geographic location, and implementation plan. The multispecialty groups have at least 200 physicians and include freestanding group practices, integrated delivery systems, faculty group practices and independent practitioner associations.

"Effective performance-based payments have shown results in the private sector, and CMS has already started programs and demonstrations to reward quality improvement in hospitals," Dr. McClellan said. "By bringing the same kind of enhanced support for better quality to physicians, we are reaching the providers that have the greatest impact on decisions about patient care. This approach has great potential for improving care for our beneficiaries and strengthening the Medicare program."

CMS is conducting or developing additional programs that use incentive payments to further improve the quality of health care available to patients, including the following:

- The Hospital Quality Initiative in which nearly all hospitals in the U.S. are being paid higher rates for submitting data that reports on the level of recommended care provided and will include patient perspectives on the quality of care received;
- The Premier Hospital Quality Incentive demonstration, in which approximately 280 hospitals are being paid bonuses for achieving high performance in treating five clinical conditions;
- The Medicare Chronic Care Improvement Program, Medicare's first large-scale pay-for-performance program to reduce health risks for defined populations of chronically ill beneficiaries;

- The Medicare Care Management Performance demonstration, which will test methods to promote the use of health information technology for improving the quality of care for chronically ill Medicare patients;
- The development and utilization of standard performance measures in every setting; and
- Additional disease management and coordinated care initiatives for beneficiaries with certain chronic conditions or high costs.

CMS is continuing to collaborate with a wide range of other public agencies and private organizations who have a common goal of improving quality and avoiding unnecessary health care costs, including the National Quality Forum, the Joint Commission of the Accreditation of Health Care Organizations, the Agency for Health Care Research and Quality, the American Medical Association, and many other organizations. CMS is also providing technical assistance to a wide range of health care providers through its Quality Improvement Organizations.

In addition to the initiatives for hospitals, physicians, and physician groups described above, CMS is also exploring opportunities in nursing home care – building on the progress of the Nursing Home Quality Initiative – and is considering approaches for home health and dialysis providers as well. Finally, recognizing that many of the best opportunities for quality improvement are patient-focused and cut across settings of care, CMS is pursuing pay-for-performance initiatives to support better care coordination for patients with chronic illnesses.

Further information on the demonstration is available at
<http://www.cms.hhs.gov/researchers/demos/pgp.asp>

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